



# County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713, Los Angeles, California 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

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December 22, 2009

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California

Dear Supervisors:

## **AGREEMENT WITH SAS INSTITUTE INC. FOR DATA MINING SOLUTION FOR CHILD CARE FRAUD DETECTION (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)**

**CIO RECOMMENDATION: APPROVE (X)**

### **SUBJECT**

On January 6, 2009, your Board unanimously passed a motion directing the Chief Executive Office (CEO) to develop a strategy for the implementation of data mining technology to target fraud in the CalWORKs Stage 1 Child Care program. The Department of Public Social Services (DPSS) in collaboration with the CEO-Service Integration Branch (SIB) released a Request for Proposals (RFP) seeking a vendor to design, develop, and implement a data mining solution. As a result of the solicitation process, DPSS and CEO-SIB identified and selected SAS Institute Inc. (SAS) as the vendor to provide the Data Mining Solution (DMS) for Child Care Fraud Detection.

### **IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve and instruct the Chair to sign the attached agreement with SAS effective upon Board approval, for a term of two years (Initial Term) at a cost of \$3,184,837. The Initial Term includes design, development, implementation, maintenance, and support services. The agreement includes up to two additional option years (Extended Term), at the County's discretion, at a cost of \$499,518 and \$452,882 per year respectively, for maintenance and support services. In addition, the agreement includes \$93,700 in pool dollars for optional work. The maximum contract sum is \$4,230,937; and

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The total estimated cost for this agreement for the remainder of the Initial Term is \$1,747,034. The estimated cost of the two option years is \$499,518 and \$452,882 for the first and second years respectively. There is an allocation of \$93,700 for optional work. All of these costs will be covered by the CalWORKs Single Allocation, with no additional NCC, for a total contract sum of \$4,230,937.

### **FACTS AND PROVISIONAL/LEGAL REQUIREMENTS**

This agreement will become effective upon Board approval and will continue for the Initial Term of two years. At the end of the Initial Term, the agreement may be extended, at the County's sole discretion, for up to two additional option years. It is anticipated that system development and implementation, including all necessary training, will be completed during the first year of the agreement.

The agreement contains all applicable Board mandated provisions, including those pertaining to consideration of hiring qualified County employees targeted for layoffs, consideration of hiring qualified Greater Avenues for Independence-General Relief Opportunities for Work participants, contractor responsibility and debarment, defaulted property tax reduction program, County's quality assurance plan, recycled bond paper, and compliance with the Jury Service Ordinance, Safely Surrendered Baby Law, and the Child Support program. In addition, SAS is required to notify the County when the agreement term is within six months from expiration and when it has reached 75 percent of the authorized contract sum. DPSS has determined that this agreement is not subject to: (1) the Living Wage Ordinance, (2) the Local Small Business Enterprise Preference Program, or (3) the Transitional Job Opportunities Preference Program and, therefore, has not included provisions relating to these in the agreement.

The agreement also contains certain applicable information technology provisions to protect the County in the event of SAS' deficient performance and/or breach of warranties, including intellectual property indemnification, assessment of credits against maintenance for SAS' failure to correct deficiencies timely, and payment withholds. The County shall have ownership of the solutions and/or models developed by SAS specifically for the County under the agreement.

As a result of the negotiations and the business model utilized by SAS in providing the requisite work under the agreement, the parties agreed to the following deviations from the County standard or preferred agreement provisions:

1. Liquidated Damages – the County has agreed to delete the liquidated damages provision altogether in light of the fact that there is a ten percent holdback on all deliverables. In addition, SAS will still be subject to the assessment of credits by the County for failure to correct deficiencies timely as required in the agreement;

The vendor community was notified of the RFP release by:

- 1) Posting the RFP solicitation document and contracting opportunity announcement on the County's "Doing Business with Us" website and the DPSS Contracting Portal;
- 2) Releasing a notice via electronic mail to 35 vendors; and
- 3) Advertising in various newspapers.

**Vendor Selection Process:**

Ten companies attended the Proposers' Conference that was conducted on July 15, 2009. By the solicitation deadline of August 20, 2009, only one vendor, SAS, submitted a proposal in response to the RFP. In keeping with standard procurement protocol, an Evaluation Committee consisting of DPSS staff from various divisions throughout the Department and CEO staff performed a detailed assessment and evaluation of SAS' proposal. It was determined by the Evaluation Committee that SAS met all the County's requirements and had the capability of providing all the required and proposed work.

The initial bid submitted by SAS was \$4,673,331. The vendor granted a discount during contract negotiations, bringing the price to \$4,137,237. The maximum agreement amount of \$4,230,937 includes a contingency reserve fund of \$93,700 for use at the County's discretion for optional work.

This agreement is not a Proposition A contract and is, therefore, not subject to the requirements of the Living Wage Program (County Code Chapter 2.201).

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

The use of the DMS for fraud detection and prevention is expected to result in new fraud referrals, early detection of fraud and increased efficiency, all leading to cost avoidance. As the use of the DMS is extended to other County public assistance programs beyond CalWORKs, the cost avoidance is expected to increase.

CONCLUSION

Upon your Board's approval, the Executive Officer, Board of Supervisors, is requested to return three original signed copies of the agreement and one adopted stamped Board letter to the Department of Public Social Services.

Respectfully submitted,



WILLIAM T FUJIOKA  
Chief Executive Officer

Reviewed by:



RICHARD SANCHEZ  
Chief Information Officer

WTF:JW:PLB  
DS:JB:cvb

- c: Acting County Counsel
- Auditor-Controller
- Executive Officer, Board of Supervisors
- Director, Department of Public Social Services
- Chair, Information Systems Commission
- Director, Internal Services Department

Data Mining SAS Board Letter